

## RHODE ISLAND OFFICE MARKET SEES POSITIVES, DESPITE SHADOW OF SUPERMAN BUILDING



**Leeds Mitchell IV**  
Senior Vice President,  
MG Commercial

Overall the Rhode Island office market exited 2015 with positive momentum, which resulted in a strong first quarter 2016. While much of the activity is intrastate, it is a sign that local businesses have regained confidence in the overall economy outside of Rhode Island. In Providence, office building conversions to residential apartments continues to drive much of the urban office building demand. The largest of the recent residential conversions include the sale of 95 Chestnut Street (57,000 square feet) and 170 Westminster Street (62,000 square feet), which has resulted in contraction of the Class B Providence office market. In addition, The Rhode Island School of Design's (RISD) recent expansion/purchase of a 12,000-square-foot office condominium at 123 Dyer Street has also spurred downtown

demand. The Providence office market has also been affected by corporate consolidation. Citizens Bank, Bank of America, Textron and Blue Cross have all reduced the size of their footprints in Providence over the past 18 months. As a result, the Providence office market experienced a slight uptick in vacancy rates ending 2015, at about 16.5 percent.

In the Jewelry District, three construction projects are well underway. The South Street Landing project is a \$220 million dollar renovation of the former Narragansett Electric building. Developer Commonwealth Venture Properties is working with the University of Rhode Island (URI), Brown University and Rhode Island College (RIC) to redevelop the 120,000-square-foot facility. RIC and URI will utilize the building for their nursing programs, while Brown will utilize it for administrative offices.

In addition, initial construction has begun for a couple of projects on the now available I-195 land. Just adjacent to the South Street Landing project, Commonwealth Ventures has begun construction of a 600-car parking garage to support their project next door. National Grid is also completing a

multimillion-dollar substation relocation in conjunction with the two aforementioned projects. Other activity includes Johnson & Wales' construction of its new engineering building, which is located on one of the I-195 parcels adjacent to its campus and which is being developed by Dimeo Construction.

The West Bay suburban office market continues to battle down its vacancy rate, ending 2015 at about 12 percent. Activity has been steady with most interest in spaces under 10,000 square feet. As a result, landlord concessions have waned and base rental rates have increased slightly for Class A office space (\$24 to \$25 per square foot).

Regarding new development, Michael Integlia & Co. has begun site work for One MetroCenter in Warwick, a planned 75,000-square-foot office building. In addition, Integlia has completed the demolition of the former Elizabeth Mill. This work will clear the way for One City Center, a 400,000-square-foot mixed-use development with direct access to TF Green Airport and Amtrak. This site was acquired as a part of their purchase of the former Leviton property in Warwick.

In northern Rhode Island, the acquisition and redevelopment of 1301 Atwood Ave. in Johnston by Hobbs Brook Management has yielded them Dassault Systems (100,000 square feet) and New York Life (25,000 square feet). Moreover, the new construction at 640 George Washington Highway in Lincoln has more than 35,000 square feet in new leases with tenants including L'Oreal. Finally, Citizens Bank just announced a plan to build a 420,000-square-foot corporate campus in Johnston. They will bring more than 3,200 current corporate employees to one site from numerous locations throughout Rhode Island.

Looking forward, most of the proposed new development and redevelopment around Providence is geared for student and residential apartments. There is still no clear plan for the "Superman Building," a 26-story building that has been vacant since Bank of America moved out in 2013 and which continues to cast a cloud over the CBD in Providence.

State-wide on the office front, pricing should remain at current levels at least through the end of the year, but with continued tightening of tenant concessions by landlords.

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